

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1C Contracts (MC2012-6)
Negotiated Service Agreement

Docket Nos. CP2016-204

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF
THE UNITED STATES POSTAL SERVICE TO ADD A FUNCTIONALLY EQUIVALENT
GLOBAL PLUS 1C NEGOTIATED SERVICE AGREEMENTS

(June 22, 2016)

INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating this docket.¹ In this notice, the Commission established the above referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to have a contract included within the Global Plus 1C product on the grounds of functional equivalence to a previously approved baseline agreement.²

Previously the Commission authorized the addition of the Global Plus 1C product to the competitive product list and determined that the Global Plus 1C contracts filed in Docket Nos. CP2012-12 and CP2012-13 should be included within the product.³ Subsequently, the Commission approved the Global Plus 1C products, and included the contracts filed in Docket Nos. CP2012-12, and CP2012-13. *Notice at 2.*

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 15, 2016.

² Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of materials Filed Under Seal, June 13, 2016 (Notice).

³ See PRC Order No. 1151, Order Adding global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012.

The Global Plus 1C contract described in Docket No. CP2016-204 is scheduled to become effective on July 1, 2016. The contract is expected to remain in effect for one year.⁴

DISCUSSION

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. The Postal Service states that these Global Plus 1C contracts “fits within the parameters outlined by the Governors’ Decisions establishing and authorizing the rates for Global Plus 1C agreements.” *Id.* at 5. The financial models accompanying the Postal Service’s Request indicates that the Postal Service covers its cost and this cost coverage is similar to previous contracts deemed functionally equivalent by the Commission in previous cases.

Functional Equivalence. In this proceeding, the Postal Service asserts that “the contract under consideration is substantially similar to the Global Plus 1C baseline contracts filed in Docket Nos. CP2012-12 and CP2012-13.” *Notice* at 4. The Postal Service explains that the contracts share similar cost and market characteristics. *Id.*

The Postal Service addresses differences between this contract and the baseline contracts. The differences include replacement of Express Mail International with Priority Mail Express International, and revisions to several articles and annexes.⁵ However, the Postal Service “does not consider these specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract.” *Id.* at 7. It, therefore, asserts that the instant contracts are functionally

⁴ See Global Plus 1C Service Agreement (filed under seal) at 4-5.

⁵ See Notices of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public and Application for Non-Public Treatment of Materials Filed Under Seal for Docket Nos. CP2013-37 and CP2013-39. Page 5-7.

equivalent in all pertinent aspects to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. *Id.* at 8.

The Public Representative agrees that these and other differences do not alter the Global Plus 1C contract. Moreover, a review of the Postal Service's Request, Statement of Supporting Justification (Attachment 3), contract agreements, and supporting financial models filed separately under seal reveals that Global Plus 1C contract should be considered functionally equivalent to the contracts subject to Docket Nos. CP2012-12 and CP2012-13, which serve as the baseline agreements for comparison under the Global Plus 1C grouping.⁶

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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⁶ See PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012, page 7-8.